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# MACROECONOMIC POLICY QUESTIONS: EXTERNAL DEBT CRISIS AND DEVELOPMENT

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Max Stadthagen (Nicaragua), on the basis of informal consultations held on draft resolution A/C.2/50/L.7

## Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, 45/214 of 21 December 1990, 46/148 and 46/151 of 18 December 1991 and 47/198 of 22 December 1992, and reaffirming its resolutions 48/182 of 21 December 1993 and 49/94 of 19 December 1994,

Reaffirming its resolution 48/165 of 21 December 1993 on the renewal of the dialogue on strengthening international economic cooperation for development through partnership and 48/166 of 21 December 1993 on an agenda for development,

Noting the improvement in the debt situation of a number of developing countries since the second half of the 1980s and the contribution that the evolving debt strategy has made to this improvement,

Noting with appreciation the debt-relief measures undertaken by creditor countries both within the framework of the Paris Club and through their cancellation and equivalent relief of bilateral official debt, and welcoming the even more favourable terms of the debt-relief measures recently envisaged by the Paris Club, namely the Naples terms of December 1994, for the poorest and

heavily indebted countries, to help them exit from the rescheduling process, thus contributing to the prospects of those countries for resuming growth and development,

Reaffirming the urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, and to help them exit from the rescheduling process,

Emphasizing the importance for debtor countries of continuing to pursue and intensify their efforts with respect to economic reforms, stabilization and structural adjustment programmes, in order to raise savings and investments, reduce inflation and improve economic efficiency, taking into account the need to address the social aspects of development, including the eradication of poverty, and their individual characteristics, as well as the vulnerability of the poorer strata of their populations,

Stressing the urgent need for further assisting developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high level of total debt stock and servicing burdens,

Noting the urgent need for full, constructive and expeditious implementation of various debt-relief measures undertaken by creditor countries both within the framework of the Paris Club and through their cancellations and equivalent relief of bilateral official debt,

Noting also that, owing to uneven developments within the context of the evolving international debt strategy, further progress, including new and concrete measures and innovative approaches, is essential as regards contributing to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily indebted countries,

Noting with concern the continuing debt and debt-servicing problems of indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating the onerous debt and debt-service burdens connected with various types of debt of many developing countries, on the basis of an effective, equitable, development-oriented and durable approach and, where appropriate, addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

Noting that multilateral lending operations are excluded from debt restructuring and, in this regard, emphasizing the need for the consideration of comprehensive approaches to assist low-income countries with substantial multilateral debt problems through the flexible implementation of existing instruments and new mechanisms where necessary,

Expressing its concern that, in a number of developing countries that are making continuous and strenuous economic reform efforts, the burden of debt and debt service continues to constitute a major obstacle to the revitalization of

the economic growth and development of those countries, in particular the least developed among them,

Noting that those developing countries that have continued, at great cost to themselves, to meet their international debt and debt-service obligations in a timely fashion have done so despite serious external and domestic financial constraints,

Expressing its concern that debt-relief measures taken so far have not yet fully provided effective, equitable, development-oriented and durable solutions to the outstanding debt and debt-servicing problems of a large number of developing countries, in particular the poorest and heavily indebted countries,

Reaffirming the results, as agreed, of all major United Nations conferences and summits held since the beginning of the 1990s on development, relating to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, as well as the consideration of appropriate measures relating to the mobilization of substantial, new and additional resources to enable developing countries to achieve sustained economic growth and sustainable development,

Noting, while addressing the external debt and debt-servicing problems of developing countries, the situation in some creditor countries with economies in transition,

Stressing the need for continuing global economic growth and the necessity for a continuing supportive international economic environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued need for resources for sustained economic growth and sustainable development of the developing countries,

Taking note of the results of the Eleventh Conference of Heads of State or Government of the Non-Aligned Countries, held at Cartagena de Indias, Colombia, from 18 to 20 October 1995, in particular, chapter III, entitled "Economic issues", of the Final Document of the Conference, 1/

Taking note also of the Communiqué of the Halifax Summit of the Group of Seven major industrialized countries, 2/ held at Halifax, Canada, from 15 to 17 June 1995,

Taking note further of the communiqué of the Interim Committee of the Board of Governors of the International Monetary Fund, held at Washington, D.C., United States of America, on 8 October 1995,

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1/ To be issued.

2/ A/50/254-S/1995/501, annex I.

Taking note further of the Ministerial Declaration of the Group of 77 3/ adopted at the nineteenth annual meeting of Ministers for Foreign Affairs of the Group of 77 and China, held in New York on 29 September 1995,

1. Takes note of the report of the Secretary-General on the developing country debt situation as of mid-1995; 4/

2. Recognizes that effective, equitable, development-oriented and durable solutions to the external debt and debt servicing-problems of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

3. Also recognizes that the evolving international debt strategy has to be supplemented by appropriate external financial flows to indebted developing countries;

4. Emphasizes the importance for developing countries of continuing their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development, and stresses the need for the international community to promote a conducive external economic environment through, inter alia, improved market access, stabilization of exchange rates, effective stewardship of international interest rates and increased resource flows, as well as improved access to technology for the developing countries;

5. Stresses the need of finding effective, equitable, development-oriented and durable solutions to the continuing debt and debt-servicing problems of the poorest and most indebted developing countries and the importance of a full, constructive and expeditious implementation of the Naples terms, agreed upon in the Paris Club in December 1994, for such countries, with a view to helping them exit from the rescheduling process on the basis of sound economic policies in these countries, thus contributing to the promotion of their prospects for resuming growth and development;

6. Recognizes the efforts of indebted developing countries in fulfilling their commitments on debt servicing despite the incurring of a high social cost and, in this regard, encourages private creditors and, in particular, commercial banks to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries;

7. Invites creditor countries, private banks and multilateral financial institutions, within their prerogatives, to consider continuing the initiatives and efforts to address the commercial debt problems of the least developed countries and the requests for continued mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help eligible least developed countries reduce their commercial debt;

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3/ A/50/518, annex.

4/ A/50/379.

8. Notes the high proportion of multilateral debt of a number of developing countries and invites international financial institutions to examine proposals to tackle the problems of those countries with regard to multilateral debt, taking into account the specific situation of each country, while preserving the preferred creditor status of the multilateral financial institutions, in order to ensure that they can continue to provide concessional financing to those developing countries to assist their development;

9. Reaffirms the mid-term global review of the implementation of the Programme of Action for the Least Developed Countries for the 1990s, in particular the appropriate actions in favour of least developed countries concerning their official bilateral, commercial and multilateral debt;

10. Notes with concern the continuing burden of debt and debt-service obligations of middle-income countries, including in particular those in Africa, and encourages creditors, including multilateral financial institutions and commercial banks, to continue to address their obligations effectively;

11. Stresses the importance of continued concessional Enhanced Structural Adjustment Facility lending operations for low-income countries;

12. Also stresses the need for existing facilities to provide debt-relief measures through various debt conversion programmes, where possible, such as debt-equity swaps, debt-for-nature swaps, debt-for-child-development swaps, and other debt-for-development swaps, to be widely implemented so that the countries concerned may be ably assisted in their development efforts, as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held in Copenhagen in March 1995;

13. Further stresses the need for, in addition to debt-relief measures that include debt and debt-service reduction, new financial flows to debtor developing countries, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, particularly to the least developed countries, in order to support the implementation of economic reforms, stabilization and structural adjustment programmes and the eradication of poverty by the developing countries so as to enable them to extricate themselves from the debt overhang and to assist them in achieving sustained economic growth and sustainable development;

14. Further stresses the need for the expeditious conclusion of the ongoing work of the International Monetary Fund, in close collaboration with the World Bank, on the steps to address the problems of those low-income countries that are undertaking strong adjustment and reform programmes but whose debt situation, including debt to multilateral institutions, may prove unsustainable, even after debt reduction on the Naples terms, within this context urging donor countries to fulfil promptly their commitments to the tenth replenishment of the International Development Association and to support a significant replenishment through the eleventh replenishment of the Association, and requests the Secretary-General to report to the General Assembly at its fifty-first session

on the outcome of the meeting of the Development Committee scheduled for April 1996;

15. Notes the initiative to develop new, parallel financing arrangements, complementary to the General Arrangements to Borrow, with the aim of doubling the resources currently available under the General Arrangements;

16. Recognizes that the evolving debt strategy must be accompanied by a favourable and supportive international environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and net food importing developing countries; 5/

17. Invites the International Monetary Fund to continue devising concrete policy measures and actions to address the problems faced by indebted developing countries;

18. Underscores the need for encouragement of private flows to all countries, in particular developing countries, while reducing the risks of volatility;

19. Stresses the urgent need to continue to provide social safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups;

20. Urges the international community, particularly the creditor countries and multilateral institutions, as well as commercial banks and other lending institutions, when continuing the implementation of various measures aimed at contributing to the effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, as well as when exploring the need for additional and innovative measures to alleviate substantially the external debt and debt-service burden of developing countries, to ensure that the debt strategy evolved through the years is fully implemented and taken into account;

21. Recognizes the urgent need for the international community to assist developing countries, in particular the poorest and heavily indebted countries, in mobilizing the resources needed for their development efforts, and also recognizes that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries could contribute towards releasing domestic resources and sustaining their development efforts, in particular those for social development;

22. Calls upon the international community, including the relevant institutions, to build upon the momentum gained from the various meetings that have addressed debt issues and to address the external debt and debt-servicing

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5/ See Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (GATT secretariat publication, Sales No. GATT/1994-7).

problems of developing countries, particularly those of the least developed countries, in the elaboration of an agenda for development;

23. Also calls upon the international community including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take urgent measures and action for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development, addressing, inter alia, and where appropriate, the question of external debt;

24. Requests the Secretary-General to report to the General Assembly at its fifty-first session on the implementation of the present resolution.

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